

## MARKET TIPS

William J. Lang

President, Moors and Cabot, Lang Division

We are in one of the “toughest” markets that I have seen during my 51 years in the securities industry. There are many differences of opinion about the economic tactics that are being used by the Federal Government. Pro or con, all of us should be rooting for the administration’s success in their efforts. The eventual long term outcome is beyond my forecasting ability. However, we can look with historical prospective over the next year.

My forecast to mid 2010 is based on one primary observation. We are moving in the direction of socialism in our economic policies. History clearly tells us that socialism has never worked towards long term economic benefits. Look at England before Margaret Thatcher. Canada enjoyed superior economic growth before Trudeau followed by a 10 year economic downturn during and after his administration. Germany has been in economic problems since the conservative Helmut Kohl’s retirement. The liberal governments that followed have seen unemployment exceed 20%. Much of their auto industry (Mercedes and BMW) has built huge factories in South Carolina. I could go on and on. Socialism just does not work and the little guy who votes them in winds up “paying the tab.” Having said that, we should consider the early effects of socialism on an economy. The results are surprisingly good. There is an artificial “yeast” that pervades the markets that bodes well for the next eight to ten months. To put a number on it, I feel that the Dow Jones average will reach the 9800 area by the first half of 2010. This means an approximate 12 percent advance over this period. Add the good dividends that are available and we see an attractive present situation for the conservative investor. Here are some companies that should fit well in this strategy. The prices are approximate values at noon on 7/20/09: General Electric (GE) at 11 ½, PenGrowth Energy (PGH) at 8, Chevron (CVX) at 65, Kansas City Life (KCLI at 28, New York Community Bank (NYB) at 11.

The justified action to buy these is not difficult. The important thing is to “watch your step” as you get into 2010. Probably short term gains will come into play as the economy could deteriorate in the second half of the year. Some of the things that could change this are actions in the opposite direction from socialism. Tax cuts instead of tax hikes would stimulate the economy, increase employment and provide more tax revenue to the government. Maybe our leaders will see this historically supported reality?

In summation, I wanted to point out that good buying opportunities now exist. However, this time around, you should own them while keeping a sharp eye on the economy which will “run out of gas” if the country’s economic policies don’t take a sudden right turn by mid 2010.

These are just my opinions. I thought our readers would like to have them to consider with their own intelligent observations. The fact that you are reading the WICS Journal tells us that

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**William Lang** has been a stock broker in the Washington DC area for approximately 50 years. He currently is the President of the Lang Division of Moors & Cabot, Financial Advisors. Mr. Lang is a graduate of Georgetown University and served as the Treasurer of the Army and Navy Club of Washington. He is a retired USAF officer.

## **Market Tips**

you are probably well versed in world economics. Let's hope that, between all of us, we can figure this one out for our benefit over the next year.